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Fact Sheet for Congressional Requesters

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September 1986

NAVY CONTRACTING

Progress Toward Competing Trident Submarine Construction

ORIGINAL

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United States
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National Security and
International Affairs Division

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September 30, 1986

The Honorable Christopher Dodd
United States Senate

The Honorable Lowell Weicker, Jr.
United States Senate

We have reviewed the Navy's efforts to establish competition in the Trident submarine construction program. The Navy is actively soliciting the Newport News Shipbuilding and Dry Dock Company (NNS) to compete for future Trident submarine construction contracts.

The Trident submarine and its 24 long-range ballistic missiles, first authorized by the Congress in fiscal year 1974, provide a significant and survivable portion of the U.S. strategic forces. Through fiscal year 1986, contracts for 13 submarines have been awarded to the Electric Boat Division of General Dynamics Corporation, the designer and sole builder of the Trident class ballistic missile submarine.

The Department of Defense (DOD) has not formally established the total force level objective for the Trident program, but has indicated that at least a 20-submarine force may be built. Under the current 5-year defense plan (1987-1991), the Trident program provides for 18 submarines. DOD officials state that the ultimate force level decision for Trident must await the evolution of the Soviet threat, the development of other strategic forces (bombers and intercontinental ballistic missiles), and the outcome of any arms control agreements.

RATIONALE FOR COMPETITION

The Navy Competition Advocate General stated that the Navy's decision to establish competition in Trident submarine construction was principally due to (1) the Competition in Contracting Act of 1984 (CICA) combined with the emergence of a Trident construction capability outside Electric Boat and (2) the potential to save money.

CICA requires full and open competition in government procurement. Basically, this means that all qualified sources must be permitted to submit competitive offers. The Navy Competition Advocate General believes that a potential second source shipyard competitor with facilities capable of building a Trident submarine is now becoming available through NNS' recent improvements to its facilities. If NNS proves to be qualified and interested in competing to build the Trident, the Navy will solicit competitive offers from two sources, Electric Boat and NNS.

The Navy's 1985 report to the Congress on procurement competition identified Trident as one of two remaining shipbuilding programs awarding sole-source contracts. The other program is for the construction of aircraft carriers; however, the 5-year defense plan does not project construction of any new carriers. The Navy's 1985 report also noted that competition in shipbuilding programs has saved the Navy over $2.5 billion for fiscal years 1983 through 1985. The Navy Competition Advocate General advised us that he believes competition in Trident construction would similarly reduce costs to the government.

PROGRESS TOWARD COMPETITION

The Navy has not yet developed a source selection plan providing guidance for judging Trident submarine competition or established definite plans for the competition to begin. However, for planning purposes, the Navy is targeting the submarine to be requested in fiscal year 1988 as the earliest competition opportunity.

Because of the opportunity to obtain competition, in October 1985 the Navy began to solicit NNS' interest in competing for Trident construction contracts. NNS expressed interest in the program and requested data from the Navy on Trident design and construction. NNS has an internal study underway to determine whether it will enter Trident competition. Navy officials advised us that NNS, in May 1986, had informally indicated to the Navy that it would compete.

Post-shakedown availability

As part of the Navy's effort to obtain competition, in December 1985 the Assistant Secretary of the Navy (Shipbuilding and Logistics) directed the Naval Sea Systems Command to solicit NNS' interest in performing the post-

shakedown availability[1] on the SSBN 733 (U.S.S. Nevada) to provide "hands-on" experience working with Trident. In January 1986, NNS wrote to the Navy that it was interested in performing this post-shakedown effort. The SSBN 733 is scheduled for its post-shakedown work in February 1987.

In April 1986 the Assistant Secretary of the Navy (Shipbuilding and Logistics) decided to award noncompetitive contracts for the post-shakedown availability to NNS. He noted that industrial mobilization would be enhanced by developing (1) additional East Coast post-shakedown availability capabilities and (2) another source for Trident construction. CICA provides that full and open competition need not be obtained when it is necessary to award a contract to a particular source for industrial mobilization purposes.

In July 1986, NNS received a $4 million, cost-plus-fixed-fee contract for advance planning and procurement of long lead-time materials for the 60-day post-shakedown effort. The Navy expects to award NNS the contract to perform the post-shakedown availability in mid- to late-January 1987. Electric Boat performed six of the seven prior Trident post-shakedown availabilities. Puget Sound Naval Shipyard, on the West Coast near the Trident base at Bangor, Washington, performed the remaining one.

The Navy Competition Advocate General and other Navy officials told us that, other than the post-shakedown contracts, the Navy does not plan to award NNS any noncompetitive or cost-type contracts to help it become competitive with Electric Boat.

Cost/benefit analysis

The Navy has not yet prepared cost/benefit estimates for a Trident competition. DOD has promised a thorough analysis of Trident competition benefits, including an assessment of Navy cost estimates by the DOD Cost Analysis Improvement Group, which provides cost estimates for the Secretary of Defense independent from the military services. DOD also noted that the SSBN 733 post-shakedown availability will

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[1] For Trident submarines, a post-shakedown availability is a 60-day period when the submarine is in the shipbuilder's facilities for correction of (1) deficiencies identified during the shakedown cruise and (2) other previously identified deficiencies which had not been corrected prior to delivery to the Navy.

assist the Navy in determining the investment costs associated with establishing Trident competition.

OBJECTIVES, SCOPE, AND METHODOLOGY

In February 1986, your offices asked us to examine the economic feasibility of the Navy's plan to introduce a second source producer to compete in the Trident submarine construction program. As discussed with your offices, the Navy is now soliciting the interest of a second source producer but has not performed specific Trident competition studies. Based on the Navy's effort and the absence of specific data at that time, we agreed with your staffs to report to you on the Navy's progress toward Trident construction competition.

In conducting our review from February 1986 through August 1986, we interviewed policy-level and Trident program-level Navy officials. Within the Office of the Assistant Secretary of the Navy (Shipbuilding and Logistics), we met with the Competition Advocate General and the Director of Shipbuilding Programs to obtain the rationale for seeking competition in the Trident submarine construction program. We also met with Naval Sea Systems Command officials to discuss cost/benefit analyses of the Trident competition effort.

We met with officials within the Office of the Chief of Naval Operations to discuss Trident program force level objectives. We also held discussions with the Office of the Secretary of Defense's Cost Analysis Improvement Group to obtain information on its current and/or planned work concerning the Trident competition and visited NNS, Newport News, Virginia, for a briefing and tour of the shipyard's facilities.

We discussed the contents of this fact sheet with agency officials as it was being developed and incorporated their views where appropriate.

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As agreed with your offices, unless you publicly announce its contents earlier, we plan no further distribution of this fact sheet until 7 days from its issue date. At that

time, we will send copies to others upon request. Should you need additional information, please contact me at 275-6504.

John Landicho
Senior Associate Director

(394150)

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